

Message Text

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ACTION EUR-25

INFO OCT-01 ADP-00 EB-11 COME-00 INT-08 OEP-01 AID-20

CIAE-00 FRB-02 INR-09 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 SAL-01 OMB-01 RSR-01

NSC-10 SS-14 STR-08 CEA-02 GAC-01 /144 W

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R 151919 Z MAR 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 9727

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 03120

FOR STATE/COMMERCE

E. O. 11652: GDS

TAGS: ENRG, US, UK

SUBJECT: NORTH SEA OIL: PRESSURES TO BUY BRITISH

REFS: (A) LONDON 3054 (B) LONDON 2865 (C) STATE 21753
(D) LONDON 2723 (E) LONDON 1631

1. SUMMARY - IN MARCH 15 MEETING DTI MINISTER FOR INDUSTRIAL DEVELOPMENT, CHRISTOPHER CHATAWAY, ASSURED ECONMIN THAT HE INTENDS TO INSURE TO BRITISH INDUSTRY FULL AND FAIR OPPORTUNITY TO COMPETE FOR NORTH SEA ORDERS, BUT NO MORE. CHATAWAY ASSENTED TO ECONMIN'S SUGGESTION THAT IT WOULD BE HELPFUL TO MAKE THAT POINT CLEARLY IN HMG'S REPLY TO US NOTE. END SUMMARY

2. ECONMIN CALLED ON CHATAWAY PRIMARILY TO DISCUSS LATTER'S IMPENDING VISIT TO US (REPORTED SEPTTEL). HOWEVER AS MINISTER FOR INDUSTRIAL DEVELOPMENT, CHATAWAY HAS RESPONSIBILITY FOR DTI'S NEWLY CREATED OFFSHORE SUPPLIES DIVISION, AND THIS IS DIVISION TO WHICH NORTH SEA OPERATORS MAKE THEIR QUARTERLY REPORTS OF ORDERS PLACED AND PLANNED AND WHICH IS CHARGED WITH CARRYING OUT MINI-
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STERS' UNDERTAKING TO INSURE BRITISH INDUSTRY FULL AND FAIR OPPORTUNITY TO COMPETE FOR NORTH SEA ORDERS. J. RAMPTON, DTI SECRETARY FOR INDUSTRIAL DEVELOPMENT WAS ALSO PRESENT AND IT WAS PARTICULARLY APT TIME TO ACQUAINT CHATAWAY AND RAMPTON WITH US CONCERNS BECAUSE VISIT TO US (ON WHICH RAMPTON WILL ACCOMPANY) IS FOR PURPOSE ATTRACTING US INVESTMENT.

3. ECONMIN SAID US SERIOUSLY CONCERNED AT DTI' S REQUEST TO NORTH SEA OPERATORS TO REPORT THEIR ORDERS AND SHOW NATIONALITY OF SUPPLIER AND FEARED THAT IN COMBINATION WITH DTI UNDERTAKING TO TAKE ACCOUNT OF OPERATORS' ORDERS IN ALLOCATION OF NEXT ROUND OF LICENSES, THIS WOULD INFLUENCE OPERATORS' ORDERS TO BENEFIT BRITISH FIRMS AND DETRIMENT US OPERATORS, SUPPLIERS AND EXPORTS. AS MINISTER WOULD KNOW, SUBJECT HAD BEEN RAISED WITH DTI SECRETARY OF STATE PETER WALKER ON HIS JANUARY VISIT TO US (REFTEL E) AND ACTING ON INSTRUCTIONS WE HAD DELIVERED NOTE ON SUBJECT TO FCO ON MARCH 9 (REFTELS B, C AND D).

4. ECONMIN HAD DISCUSSED US CONCERNS WITH SIR ROBERT MARSHALL, SECRETARY FOR INDUSTRY ON MARCH 14 (REFTEL A) AND HAD WELCOMED MARSHALL' S ASSURANCE THAT HE HAD NO INTENTION OF USING HIS LICENSING POWER TO SUPPORT BUY BRITISH EFFORT OR TO PENALIZE NORTH SEA OPERATOR WHO PLACED ORDERS WITH FOREIGN SUPPLIERS' WHEN BRITISH INDUSTRY UNABLE TO MATCH FOREIGN TERMS. HOWEVER ALTHOUGH MARSHALL RESPONSIBLE FOR LICENSING, CHATAWAY HAD RESPONSIBILITY FOR CARRYING OUT UNDERTAKING TO SEE THAT BRITISH INDUSTRY HAD FULL AND FAIR OPPORTUNITY TO COM-

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C O N F I D E N T I A L SECTION 02 OF 02 LONDON 03120

PETE AND FOR REVIEW OF OPERATORS' ORDERS. ECONMIN
SAID HE WOULD APPRECIATE HAVING MINISTER' S VIEWS.

5. CHATAWAY SAID THAT LIKE MARSHALL HE COULD ASSURE
ECONMIN THAT HE WAS SEEKING FOR BRITISH FIRMS NO MORE
THAN FULL AND FAIR OPPORTUNITY TO COMPETE. HE UNDER-
LINED POLITICAL PRESSURES ON GOVERNMENT, PARTICULARLY
THOSE COMING OUT OF SCOTLAND. IN THE CIRCUMSTANCES,
DTI' S ACTION HAD BEEN LEAST THAT GOVERNMENT COULD DO,
AND HE INTENDED TO SEE THAT BRITISH INDUSTRY DID HAVE
FULL AND FAIR OPPORTUNITY TO COMPETE. HOWEVER, IF
BRITISH INDUSTRY UNABLE TO MATCH FOREIGN SUPPLIER
TERMS ON PRICE, DELIVERY OR IN OTHER SIGNIFICANT RESPECTS
CHATAWAY WAS READY TO ACCEPT PLACING OF ORDER WITH
FOREIGN SUPPLIER AND WOULD STAND UP IN COMMONS AND DEFEND
IT. RAMPTON ECHOED CHATAWAY' S STATEMENT.

6. CHATAWAY ADDED THAT HE HAD JUST RETURNED FROM PUBLIC
APPEARANCE IN SCOTLAND WHERE SCOTS HAD APPLIED STRONG
PRESSURES TO HIM IN SUPPORT OF PREFERMENT FOR SCOTTISH
FIRMS. CHATAWAY SAID HE HAD MAINTAINED AND WOULD CON-
TINUE TO MAINTAIN THAT DTI COULD DO MORE THAN INSURE
THAT BRITISH FIRMS WERE INVITED TO BID AND THAT
OPERATORS' AWARD OF CONTRACT WAS FAIR AND SEEN TO BE
FAIR. HE COULD NOT DO LESS THAN THAT BUT DID NOT
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INTEND TO DO MORE.

7. ECONMIN WELCOMED CHATAWAY' S VIEWS AND SUGGESTED IT
WOULD BE MOST HELPFUL IN ALLAYING US CONCERNS IF THOSE
VIEWS WERE CLEARLY REFLECTED IN REPLY TO US NOTE.
CHATAWAY AGREED AND ALSO INDICATED HE WOULD CONSIDER
OUR SUGGESTION THAT IT WOULD BE REASSURING TO US IN-
DUSTRY AND TO PROSPECTIVE US INVESTORS IN
BRITAIN IF HE COULD MAKE THOSE VIEWS KNOWN IN COURSE HIS
PUBLIC APPEARANCES IN US.

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